

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 927 - SB 901

March 15, 2015

SUMMARY OF BILL: Requires any home improvement contractor to, prior to performing a roofing service project which costs between \$3,000 and \$25,000, to first obtain state licensure. This requirement will apply to any home improvement contractor, regardless of any county exclusion provided in statute. This legislation will take effect July 1, 2015.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$12,500/FY15-16/BLC
\$12,500/FY16-17/BLC
\$10,000/FY17-18 and Subsequent Years/BLC

Assumptions:

- Currently, the following 9 counties have adopted the *Home Improvement Law*, pursuant to Tenn. Code Ann. § 62-6-516: Bradley, Davidson, Hamilton, Haywood, Knox, Marion, Robertson, Rutherford, and Shelby. Within these 9 counties, home improvement contractors which perform residential remodeling projects costing over \$3,000, but less than \$25,000, are exempt from state licensure requirements of the Board of Licensing Contractors (BLC). Such contractors are licensed through processes approved by the respective governing bodies.
- This legislation will require such contractors to obtain state licensure from the BLC, in addition to local licensure.
- Currently, the BLC regulates approximately 2,000 home improvement contractors.
- The BLC estimates that this bill will increase the number of licensed home improvement contractors by 5 percent (0.05) or approximately 100 licensees (2,000 x 0.05).
- A home improvement contractor's license is biennial. The cost of application and initial licensure is \$250 and renewals cost \$200. This will result in an increase state revenue to the BLC of \$25,000 (100 x \$250) in FY15-16 and \$20,000 (100 x \$200) in FY17-18 and biennially thereafter. Annualized:
 - FY15-16 - \$12,500 (\$25,000 / 2 years)
 - FY16-17 - \$12,500 (\$25,000 / 2 years)
 - FY17-18 and subsequent years - \$10,000 (\$20,000 / 2 years)
- Based on information provided by BLC, it can accommodate this increase in licensees without an increase in staff or Board resources.
- Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-supporting over any two-year period.

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- The BLC had an annual surplus of \$384,805 in FY12-13, an annual surplus of \$553,645 in FY13-14, and a cumulative reserve balance of \$3,521,368 on June 30, 2014.

IMPACT TO COMMERCE:

Increase Business Expenses - \$12,500/FY15-16
\$12,500/FY16-17
\$10,000/FY17-18 and Subsequent Years

Assumptions:

- This legislation will increase deductible business expenses for certain home improvement contractors in 9 counties.
- Such business expenses are identical to the licensing fee revenue that will be collected by BLC from such businesses.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

/jdb